

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

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**NOTICE OF FILING OF RULES GOVERNING THE SUBMISSION, PROCESSING  
AND PARTIAL PAYMENT OF POLICY CLAIMS IN ACCORDANCE WITH  
JUNE 4, 2012 INTERIM CASH PAYMENT ORDER**

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PLEASE TAKE NOTICE that, on August 1, 2012, the Rehabilitator promulgated the attached Rules Governing the Submission, Processing and Partial Payment of Policy Claims in Accordance with June 4, 2012 Interim Cash Payment Order (the “Rules”). In furtherance of the Rehabilitator’s court-approved Motion for Approval to Commence Making Interim Cash Payments on Permitted Policy Claims (filed with this Court on May 16, 2012), the Rehabilitator promulgated the Rules to inform all Segregated Account policyholders regarding the process governing submittal and approval of policy claims. The attached Rules have been posted on the court-approved website ([www.ambacpolicyholders.com](http://www.ambacpolicyholders.com)).

Dated this 1st day of August, 2012.

FOLEY & LARDNER LLP

By:

  
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Commissioner of Insurance and  
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Rehabilitator of the Segregated Account of  
Ambac Assurance Corporation*

**RULES GOVERNING THE SUBMISSION, PROCESSING AND  
PARTIAL PAYMENT OF POLICY CLAIMS OF THE SEGREGATED ACCOUNT OF  
AMBAC ASSURANCE CORPORATION IN ACCORDANCE WITH  
JUNE 4, 2012 INTERIM CASH PAYMENT ORDER**

August 1, 2012

Issued by  
the Rehabilitator and the Special Deputy Commissioner  
of the Segregated Account of Ambac Assurance Corporation

On March 24, 2010, the Circuit Court for Dane County, Wisconsin (the “Rehabilitation Court”) entered a rehabilitation order (the “Rehabilitation Order”), granting the petition of the Commissioner of Insurance of the State of Wisconsin to place the Segregated Account of Ambac Assurance Corporation (the “Segregated Account”) into rehabilitation and to appoint the Commissioner as the Rehabilitator for the Segregated Account (the “Rehabilitator”). On June 4, 2012, the Rehabilitation Court entered an order approving a motion by the Rehabilitator to commence making Interim Distributions (as defined in Section 2.02 below) on Permitted Policy Claims (the “Interim Cash Payment Order”).

In order to facilitate an efficient and orderly process for the submission of Policy Claims to the Segregated Account and the evaluation, processing, and partial payment of Policy Claims by the Segregated Account pursuant to the Interim Cash Payment Order, the Rehabilitator hereby issues the following rules, procedures and guidelines (as may be amended, modified or supplemented from time to time pursuant to the terms hereof, the “Rules”). These Rules are being filed with the Rehabilitation Court simultaneously with their posting online at [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com). They shall thereupon be effective (such date, the “Effective Date”).<sup>1</sup>

These rules replace and supersede the Guidelines under Plan of Rehabilitation (Claims Processing for Policy Claims) dated as of February 18, 2011.

**ARTICLE 1  
SUBMISSION AND PROCESSING OF POLICY CLAIMS**

**1.01 Policy Claims Administration.** Pursuant to the Management Services Agreement, the Rehabilitator has engaged the Management Services Provider to assist him and the Segregated Account in processing all Policy Claims and other Claims. The Management Services Provider is responsible for administering, disputing, objecting to, compromising or otherwise resolving all Policy Claims in accordance with these Rules and the Segregated

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<sup>1</sup> Unless otherwise defined herein, capitalized terms used herein shall have the meanings specified in Exhibit A hereto. Such meanings shall be equally applicable to both the singular and plural forms of such terms, unless the context otherwise requires.

Account Operational Documents, together with any other rules or guidelines issued by the Rehabilitator or the Special Deputy Commissioner under any of the foregoing, all existing orders of the Rehabilitation Court and the specific directions of the Rehabilitator or the Special Deputy Commissioner.

**1.02 Submission of Policy Claims.** Each Holder of a Policy Claim, whether acting on its own behalf or acting in its capacity as trustee and/or agent on behalf of and for the benefit of the beneficial holder(s) of any underlying financial instrument insured by a Policy, including any Policy Claim arising prior to the Effective Date, shall submit to the Management Services Provider (i) such Policy Claim in accordance with, and including such information as is required by, the provisions of the applicable Policy and any other underlying instrument(s) or contract(s) giving rise to or governing the submission of such Policy Claim, and (ii) a fully completed and duly executed Proof of Policy Claim Form in the form attached hereto as Exhibit B (which differs from the form previously promulgated by the Rehabilitator in conjunction with the Guidelines under Plan of Rehabilitation (Claims Processing for Policy Claims) dated as of February 18, 2011) relating to such Policy Claim, including the Claim Schedule referred to therein. Each Holder shall submit all Policy Claims covered by the same Policy on one Proof of Policy Claim Form, and shall identify each CUSIP to which each such Policy Claim relates, as required by the Claim Schedule relating to such Proof of Policy Claim Form. Other than pursuant to Section 1.04, a separate Proof of Policy Claim Form and Claim Schedule shall be submitted in respect of all Policy Claims relating to the same Policy for each Claim Period.

**1.03 Timing for Submission of Policy Claims.** A Holder shall not submit a Policy Claim any earlier than permitted under the relevant Policy or other underlying instrument(s) or contract(s) giving rise to or governing the submission of such Policy Claim.

**1.04 Policy Claims arising during the Moratorium Period.** Any Policy Claim previously submitted by a Holder to the Management Services Provider or the Segregated Account in respect of a Policy Claim incurred during the Moratorium Period shall be re-submitted by such Holder on or after the Effective Date in accordance herewith. Holders may submit one Proof of Policy Claim Form and Claim Schedule in respect of all Policy Claims incurred during the Moratorium Period and relating to the same Policy.

**1.05 Pending Policy Claim.** No Policy Claim shall become a Pending Policy Claim unless the Holder of such Policy Claim fully and properly complies with the requirements of Sections 1.02, 1.03 and 1.04 hereof, as applicable, and of the Proof of Policy Claim Form (including the Claim Schedule referred to therein) with respect to such Policy Claim.

**1.06 Eligibility of Pending Policy Claims.** No Pending Policy Claim shall be eligible to be considered a Permitted Policy Claim on the next occurring Payment Date after submission by the Holder (including the first Payment Date to occur after the Effective Date) unless the Proof of Policy Claim Form and all other documentation required to be submitted pursuant to Sections 1.02, 1.03 and 1.04, as applicable, in connection with such Pending Policy Claim shall have been received by the Management Services Provider on or prior to 5:00 p.m. (Eastern Time) on the last Business Day of the calendar month preceding the calendar month in which such Payment Date occurs, unless the Rehabilitator determines otherwise in the Rehabilitator's sole discretion.

**1.07 Evaluation of Pending Policy Claims.** Subject to Section 1.06, the Management Services Provider shall evaluate each Pending Policy Claim to determine whether the amount set forth in the Proof of Policy Claim Form is a Permitted Policy Claim or whether an Objection should be raised as to such Policy Claim in accordance with these Rules. The Management Services Provider may, from time to time, ask any Holder to supplement its Pending Policy Claim with further supporting documentation in order to evaluate such Pending Policy Claim. Upon the determination by the Management Services Provider or the Rehabilitator that a Pending Policy Claim constitutes a Permitted Claim, such Policy Claim shall be considered a Permitted Policy Claim.

**1.08 No Re-Submission of Policy Claims.** Unless required by the Rehabilitator, the Segregated Account or the Management Services Provider or as permitted under Section 1.04, a Holder shall not submit a Policy Claim to the Management Services Provider more than once or in more than one Proof of Policy Claim Form. For the avoidance of doubt, unless required by the Rehabilitator, the Segregated Account or the Management Services Provider or as permitted under Section 1.04, a Holder may not submit a subsequent Proof of Policy Claim Form for any portion of a Permitted Policy Claim not satisfied pursuant to an Interim Distribution, or for any Disputed Claim, Late Claim or Disallowed Claim.

**1.09 Disputed Policy Claims.** The Rehabilitator or the Management Services Provider may raise an Objection to any Pending Policy Claim on any ground, including, but not limited to, the ground that the Rehabilitator or the Management Services Provider lacks sufficient information to evaluate such Pending Policy Claim, that the amount claimed as a Policy Claim is not a valid Policy Claim, that such Policy Claim is a Duplicate Claim or that such Policy Claim is a Late Claim, by providing the Holder of the Policy Claim or the Holder's representative (as applicable) with written notice of the substance of the Objection. The Rehabilitator or the Management Services Provider may, in their discretion, raise an Objection to all or any portion of a Pending Policy Claim. No later than the sixtieth (60<sup>th</sup>) day after the delivery of such written notice of Objection to the Holder, the Holder, if it wishes to dispute such Objection, shall send to the Management Services Provider a written response to the Objection. Such written response (and any related written communications) shall be delivered by email to:

[claimsprocessing@ambac.com](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto:claimsobjections@ambac.com).

The response must clearly set forth all facts and the legal basis, if any, for the opposition and the reasons why the Policy Claim should be a Permitted Policy Claim. If no response is sent by the Holder within such sixty (60) day period, the Policy Claim, or the portion in respect of which the Rehabilitator has raised an Objection, as applicable, shall become a Disallowed Claim without order of the Rehabilitation Court and no further dispute resolution shall be permitted. If a response is submitted within such sixty (60) day period, the Rehabilitator shall resolve such dispute in accordance with these Rules and communicate such resolution to the Holder. Only in the event that a response is submitted within such sixty (60) day period by the Holder and the Rehabilitator determines that such Disputed Claim is fully or partially a Disallowed Claim, shall

the Holder have the right to file a motion with the Rehabilitation Court asserting that the Rehabilitator improperly disallowed all or any portion of such Policy Claim.

**1.10 Claims other than Policy Claims.** Nothing contained in these Rules contravenes any provisions of the Plan of Rehabilitation for the Segregated Account, as confirmed by the Rehabilitation Court on January 24, 2011 (the “Plan of Rehabilitation”), any order of the Rehabilitation Court or the Segregated Account Operational Documents relating to the submission, review, processing and/or payment of any Claims other than Policy Claims. Submission, review, processing and/or payment of any Claims other than Policy Claims remain subject to the provisions of the Plan of Rehabilitation, once effective, as well as the other orders of the Rehabilitation Court.

## **ARTICLE 2 INTERIM DISTRIBUTIONS ON PERMITTED POLICY CLAIMS**

**2.01 Permitted Policy Claims.** Unless the Rehabilitation Court or the Rehabilitator (in his sole discretion) has permitted an Alternative Resolution of a Policy Claim, each Holder of a Permitted Policy Claim shall receive an Interim Distribution.

**2.02 Interim Distributions on Permitted Policy Claims.** Subject to Section 2.01, if the Management Services Provider, the Rehabilitator or the Rehabilitation Court has determined that a Pending Policy Claim constitutes a Permitted Policy Claim, the Management Services Provider shall distribute to the Holder of such Permitted Policy Claim Cash equal to the dollar amount of such Permitted Policy Claim multiplied by twenty-five percent (an “Interim Distribution”). Any Interim Distribution in respect of a Permitted Policy Claim shall occur on the Payment Date that next follows the Determination Date on which such Policy Claim was determined to be a Permitted Policy Claim. Such Interim Distribution shall be paid by the Segregated Account to the account of the Holder provided by the Holder to the Management Services Provider and the Rehabilitator in the Proof of Policy Claim Form relating to such Permitted Policy Claim. For the avoidance of doubt, notwithstanding each Holder’s obligation to submit all Policy Claims covered by the same Policy on one Proof of Policy Claim Form and to identify each CUSIP to which each such Policy Claim relates therein as set forth in Section 1.02 hereof, the Rehabilitator or the Segregated Account shall make one aggregate payment of Interim Distributions relating to the same Policy.

**2.03 ACP.** Payment of an Interim Distribution in respect of a Policy Claim relating to an obligation of ACP under a related credit default swap shall be deemed payment by ACP of twenty-five percent of its related obligations under such credit default swap.

**2.04 Future Distributions on Permitted Policy Claims.** That portion of Permitted Policy Claims not satisfied pursuant to the Interim Distributions to be made pursuant to the Interim Cash Payment Order shall be treated in accordance with any further orders of the Rehabilitation Court, including, but not limited to, the Plan of Rehabilitation, as it may be amended from time-to-time and once it becomes effective. The Rehabilitator, in his sole discretion, may (but shall not be obliged to) issue further rules, procedures and/or guidelines to effect any subsequent distributions of Cash or other consideration in respect of a Permitted Policy Claim.

**2.05 Recoveries and Reimbursements on Policy Claims.** For the avoidance of doubt and notwithstanding the Proceeding, any provisions of the Interim Cash Payment Order, these Rules, and/or the Plan of Rehabilitation or the related Disclosure Statement filed with the Rehabilitation Court on October 8, 2010 and any amendments thereto (the “Disclosure Statement”), AAC shall be entitled to recover any recoveries, reimbursements and other amounts that it is entitled to recover in relation to any Interim Distribution paid by the Segregated Account pursuant to, and in accordance with, the applicable Policy and any related underlying instrument(s) or contract(s) governing the priority or distribution of such cash recoveries as if AAC had paid the amount of the Interim Distribution directly, unless otherwise waived in writing by the Management Services Provider or the Rehabilitator, following consultation with AAC. In addition, notwithstanding the Proceeding, any provisions of the Interim Cash Payment Order and/or these Rules and unless otherwise waived in writing by the Management Services Provider or the Rehabilitator, AAC shall be entitled to receive any assets it is owed in its capacity as insurer, surety, credit support provider, credit enhancer, credit default swap counterparty or similar capacities, or as assignee or subrogee, in relation to any Interim Distribution paid by the Segregated Account pursuant to, and in accordance with, the applicable Policy and any related underlying instrument(s) or contract(s) governing the priority or distribution of such cash recoveries as if AAC had paid the amount of the Interim Distribution directly.

**2.06 Setoffs.** The Rehabilitator may set off in whole or in part against any Permitted Policy Claim or any Interim Distribution of Cash to be made under these Rules on account of such Permitted Policy Claim, all claims, rights, and causes of action of any nature that the Rehabilitator, AAC or the Segregated Account may have against the Holder of such Permitted Claim that are not otherwise waived, released, or compromised in accordance with these Rules. Neither the failure to effect such a setoff nor the determination that any Policy Claim is Permitted under these Rules will constitute a waiver or release by the Rehabilitator, AAC or the Segregated Account of any such claims, rights, and causes of action, notwithstanding any compulsory counterclaim rules or requirements to the contrary.

**2.07 Subsequent Adjustments.** If the Rehabilitator or the Management Services Provider determines that the amount of the Cash received by the Holder of a Permitted Policy Claim as an Interim Distribution was incorrect, the Rehabilitator or the Management Services Provider may adjust the amount of the Cash paid in one or more subsequent Interim Distributions of other Permitted Policy Claims relating to the same Policy, as necessary to account for such error, by providing the Holder of the Permitted Policy Claim or the Holder’s representative (as applicable) with written notice of the adjustment. No later than the thirtieth (30<sup>th</sup>) day after the delivery of such written notice to the Holder, the Holder, if it wishes to dispute such adjustment, shall send to the Management Services Provider a written response to the notice of adjustment. Such written response (and any related written communications) shall be delivered by email to:

[claimsprocessing@ambac.com](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto:claimsobjections@ambac.com).

The response must clearly set forth all facts and the legal basis, if any, for the opposition to such adjustment. If no response is sent by the Holder within such thirty (30) day period, the Management Services Provider may adjust the amount of the Cash paid in one or more subsequent Interim Distributions of other Permitted Policy Claims relating to the same Insured Obligation in the amount necessary to account for such error and no further dispute resolution shall be permitted. If a response is submitted within such thirty (30) day period, the Rehabilitator shall resolve such dispute in accordance with these Rules and communicate such resolution to the Holder. Only in the event that the Rehabilitator determines that an adjustment is necessary and a response has been submitted by the Holder within such thirty (30) day period, shall the Holder have the right to file a motion with the Rehabilitation Court asserting that such adjustment was improper.

**2.08 Assignment of Rights.** Without prejudice to (i) the terms and provisions of the applicable Policy and any related underlying instrument(s) or contract(s) and (ii) any assignment previously executed, whether pursuant to a Proof of Policy Claim Form or otherwise, upon receipt of an Interim Distribution with respect to a Permitted Policy Claim, each such Holder shall be deemed to have assigned its rights relating to that Interim Distribution under the underlying instrument(s) or contract(s) to AAC.

### **ARTICLE 3 GENERAL**

**3.01 Governing Law.** The rights and obligations arising under these Rules shall be governed by, and construed and enforced in accordance with, the laws of the State of Wisconsin, without giving effect to the principles of conflicts of law thereof.

**3.02 Prior Orders and Agreements.** Subject to Section 3.08 of these Rules, the prior orders of the Rehabilitation Court shall remain in full force and effect throughout the period of rehabilitation of the Segregated Account, including, without limitation, the Rehabilitation Order and the Injunction; provided, however, that the Plan of Rehabilitation shall not be effective unless and until it becomes effective pursuant to Article VI thereof. Except as expressly provided herein, nothing in these Rules alters prior agreements or arrangements approved by the Rehabilitator with respect to the Segregated Account or any liability in respect of any Policy or other liability allocated to the Segregated Account.

**3.03 Retention of Jurisdiction.** In accordance with all prior orders of the Rehabilitation Court, including, without limitation, the Rehabilitation Order and the Injunction, the Rehabilitation Court shall retain exclusive jurisdiction over the Proceeding and these Rules in accordance with the Act to ensure that the purposes and intent of the Interim Cash Payment Order are carried out. Without limiting the generality of the foregoing, the Rehabilitation Court shall expressly retain exclusive jurisdiction: (a) to hear and determine all Objections to Disputed Claims; (b) to hear, determine and enforce all causes of action that may exist against the Segregated Account or against the General Account or AAC or the Management Services Provider in regards to the Segregated Account; and (c) for all purposes pertaining to the treatment or classification of Policy Claims. The Rehabilitation Court shall further retain exclusive jurisdiction for other additional purposes, including, without limitation:

- (a) to enter such orders and injunctions as are necessary to enforce the respective title, rights, and powers of the Segregated Account, the terms of these Rules,

and to impose such limitations, restrictions, terms, and conditions on such title, rights, and powers as the Rehabilitation Court may deem necessary;

(b) to correct any defect, cure any omission, or reconcile any inconsistency in any order of the Rehabilitation Court as may be necessary to implement the purposes and intent of the Interim Cash Payment Order;

(c) to determine any and all motions, applications, and other contested matters that may be pending on the Effective Date;

(d) to consider and act on the compromise and settlement of any Policy Claim against or cause of action by or against the Segregated Account or in relation to Policies; and

(e) to interpret and enforce, and determine all questions and disputes regarding, the injunctions, releases, exculpations, and indemnifications provided for or set forth in the Interim Cash Payment Order or these Rules.

**3.04 Immunity and Indemnity.** The immunity and indemnity provisions in Sections 9.01 and 9.02 of the Plan of Rehabilitation are incorporated here in full by reference as if fully set forth.

**3.05 Amendment and Modification of these Rules.** These Rules may be supplemented, modified, altered or withdrawn at any time or from time to time in the Rehabilitator's sole discretion.

**3.06 Implementation.** The Rehabilitator and Management Services Provider shall take all steps, and execute all documents, necessary to effectuate the provisions contained in these Rules.

**3.07 Successors and Assigns.** The rights, benefits and obligations of any Person named or referred to in these Rules shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors or assigns of such Person.

**3.08 Inconsistency.** With respect to making the Interim Distributions on Permitted Policy Claims authorized by the Interim Cash Payment Order, these Rules shall control with respect to any inconsistent provisions of the Plan of Rehabilitation or the Disclosure Statement that provide or impose rules, procedures, guidelines and/or obligations for, or on, any Party for the submission to and the evaluation, processing and payment of Policy Claims by the Segregated Account.

**3.09 No Admissions.** Notwithstanding anything herein to the contrary, nothing contained in these Rules shall be deemed an admission by any Person with respect to any matter set forth herein.

**3.10 Notice.** Except as otherwise specified herein, any notice permitted or required to be delivered by these Rules may be delivered personally, by mail or by email. Any such notice shall be deemed to have been duly delivered on the date (i) on which such notice is personally delivered, (ii) falling two (2) Business Days after the mailing by first class mail, postage prepaid, or by express delivery service of such notice, or (iii) on which such notice, is sent by electronic

mail (with a delivery receipt received from the addressee), (i) in the case of a Holder, to the address or email address specified in the Proof of Policy Claim Form relating to the relevant Policy Claim, (ii) in the case of the Management Services Provider, unless otherwise specified herein, to Ambac Assurance Corporation, 1 State Street Plaza, New York, NY 10004, Attention: Claims Processing or in the case of electronic mail, [claimsprocessing@ambac.com](mailto:claimsprocessing@ambac.com) and any other email address specified herein, and (iii) in the case of the Rehabilitator and the Segregated Account, to the address advised to the parties by Rehabilitator in writing from time to time.

**3.11 Benefits inuring to Holders.** Nothing in these Rules shall cause to inure to the benefit of any Holder any greater right than that which would have existed were the Segregated Account not in rehabilitation.

**3.12 Filing of Additional Documents.** The Rehabilitator may file with the Rehabilitation Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of these Rules.

## **EXHIBIT A DEFINITIONS**

Capitalized terms used in these Rules shall have the following meanings, unless otherwise defined herein:

“AAC” means Ambac Assurance Corporation.

“Act” means the Wisconsin Insurers Rehabilitation and Liquidation Act, Wis. Stat. § 645.01 *et. seq.*

“Alternative Resolution” shall have the meaning given to such term in the Order Confirming Procedures for Resolving Claims Through Alternative Resolutions Including Synthetic Commutations, as entered by the Rehabilitation Court on August 31, 2011.

“Business Day” means a day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York are authorized or required by law to close.

“Cash” means legal tender of the United States of America payable in immediately available funds, such as a wire transfer, bank or cashier’s check.

“Claim” means any right to payment from the Segregated Account, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, equitable, legal, secured or unsecured, and regardless of when such right arises.

“Claim Period” shall have the meaning given to such term in the Proof of Policy Claim Form.

“Claim Schedule” shall have the meaning given to such term in the Proof of Policy Claim Form.

“Cooperation Agreement” means the Cooperation Agreement, by and between the Segregated Account, the Rehabilitator, AAC and Ambac Financial Group, Inc., effective March 24, 2010, as amended, supplemented or modified from time to time.

“CUSIP” means, in respect of any security, the security as identified by the number allocated to such security pursuant to the Committee on Uniform Securities Identification Procedures. For the avoidance of doubt, a Policy may provide financial guaranty insurance in respect of more than one CUSIP or Insured Obligation.

“Determination Date” means the fifteenth (15<sup>th</sup>) day of each month (or, if any such day is not a Business Day, the immediately following Business Day), subject to change in the sole and absolute discretion of the Rehabilitator.

“Disallowed Claim” means a Policy Claim that has been determined by the Rehabilitator or the Management Services Provider to constitute a Duplicate Claim or a Late Claim, or that the

Rehabilitator or the Management Services Provider has otherwise determined should not be allowed, in each case in accordance with the provisions of Section 1.09 of these Rules.

“Disputed Claim” means a Policy Claim as to which an Objection has been raised by the Rehabilitator or the Management Services Provider and which has not been released, satisfied, terminated, commuted or otherwise extinguished or become a Permitted Policy Claim or a Disallowed Claim.

“Duplicate Claim” means any Policy Claim with respect to which the Rehabilitator or the Management Services Provider has determined, in the Rehabilitator’s sole and absolute discretion, that (i) the payment obligation of the Segregated Account under the provisions of the underlying instrument or contract giving rise to such Policy Claim or (ii) the underlying risk of loss insured pursuant to the provisions of the Policy or other instrument(s) or contract(s) giving rise to such Policy Claim is the subject of, or is, a Pending Policy Claim, a Disputed Claim, a Late Claim, a Disallowed Claim or a Permitted Policy Claim.

“General Account” means of the general account of AAC.

“Holder” means any Person holding a Policy Claim against the Segregated Account, including, the named beneficiary of the related Policy.

“Injunction” means the Order for Temporary Injunctive Relief entered by the Rehabilitation Court on March 24, 2010, made permanent by the Decision and Final Order Confirming the Rehabilitator’s Plan of Rehabilitation, with Findings of Fact and Conclusions of Law, entered by the Rehabilitation Court on January 24, 2011.

“Insured Obligation” means, in respect of any Policy Claim, the obligation guaranteed by the Segregated Account under or pursuant to the relevant Policy or Policies.

“Late Claim” means any Policy Claim determined by the Rehabilitator to not have been submitted in compliance with the provisions of these Rules within one hundred twenty (120) days of the later of (i) the Effective Date and (ii) the earliest date on which such Policy Claim, if it had been submitted, would have satisfied all of the requirements to be considered a Permitted Policy Claim; provided that the Rehabilitator may extend such one hundred twenty (120) day period in the case of excusable neglect (as determined by the Rehabilitator in his sole and absolute discretion), but in no event beyond one year from the later of (i) the Effective Date and (ii) the earliest date on which such Policy Claim, if it had been submitted, would have satisfied all of the requirements to be considered a Permitted Policy Claim.

“Management Services Agreement” means the Management Services Agreement between the Segregated Account and AAC, as Management Services Provider, effective March 24, 2010, as amended, modified or supplemented from time to time.

“Management Services Provider” means AAC or any successor Management Services Provider under the Management Services Agreement.

“Moratorium Period” means the period between March 24, 2010 and the Effective Date.

“Objection” means any dispute or objection with respect to a Policy Claim, as contemplated by Section 1.09 of these Rules.

“Payment Date” means the date during each calendar month on which Permitted Policy Claims shall be paid, being the twentieth (20<sup>th</sup>) day of each such calendar month (or, if any such day is not a Business Day, the immediately following Business Day), subject to change in the sole and absolute discretion of the Rehabilitator.

“Pending Policy Claim” means a Policy Claim which has been submitted by a Holder in accordance with all of the requirements of these Rules (including, without limitation, Article 1 hereof) and which is under evaluation by the Rehabilitator or the Management Services Provider, and which is not, or has not become, a Permitted Policy Claim, a Disputed Claim, a Late Claim, a Duplicate Claim or a Disallowed Claim.

“Permitted / Permitted Policy Claim” means a Policy Claim (other than a Late Claim, a Disputed Claim, a Pending Policy Claim, a Duplicate Claim or a Disallowed Claim) submitted by a Holder in compliance with the provisions hereof and determined by the Rehabilitator or the Management Services Provider to be a matured, non-contingent due and payable obligation according to the provisions of the applicable Policy and/or any other underlying instrument(s) or contract(s) giving rise to or governing such Policy Claim. Permitted Policy Claims shall not include any Policy Claim in respect of (i) any interest on such Policy Claim to the extent accruing or maturing on or after March 24, 2010, (ii) punitive, consequential, special or exemplary damages, (iii) any fine, penalty, tax or forfeiture, including, but not limited to, default or penalty interest purported to be imposed on the Policy Claim or on the related insured obligation, if any, that would be in violation of the Injunction, or (iv) that portion of any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the Holder, including without limitation, any cash deposits, reserves or other defeasance or reinsurance instruments made available to such Holder. In addition, a Permitted Policy Claim shall not include any Policy Claim the Holder of which in respect of such Policy Claim, or any party to the transaction relating to such Policy Claim, is in violation of these Rules, the Injunction or any other order of the Rehabilitation Court relating to the Segregated Account.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, an estate, a trust, an unincorporated organization, a government or any political subdivision thereof, or any other entity.

“Plan of Operation” means the Plan of Operation of the Segregated Account, as amended, modified and/or supplemented from time to time.

“Policy” means any financial guaranty insurance policy, surety bond or other similar guarantee allocated to the Segregated Account pursuant to the Plan of Operation.

“Policy Claim” means any right to payment from the Segregated Account, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, equitable, legal, secured, or unsecured, and regardless of when such right arises, under a Policy or Policies.

“Proceeding” means the legal proceeding, currently styled as In the Matter of the Rehabilitation of: Segregated Account of Ambac Assurance Corporation, Case No. 10 CV 1576, pending in the Rehabilitation Court.

“Proof of Policy Claim Form” means the form attached hereto as Exhibit B to be used by the Holder to submit a Policy Claim to the Management Services Provider in accordance with Article 1, as such form may be amended and/or supplemented from time to time in the sole and absolute discretion of the Rehabilitator.

“Reinsurance Agreement” means the Aggregate Excess of Loss Reinsurance Agreement between the Segregated Account and AAC, entered into as of March 24, 2010, as amended, modified or supplemented from time to time.

“Secured Note” means the Secured Note issued by AAC to the Segregated Account on March 24, 2010, as amended, modified or supplemented from time to time.

“Segregated Account Operational Documents” means the documents and agreements pertaining to the establishment and operation of the Segregated Account, including, but not limited to, the Plan of Operation, the Secured Note, the Reinsurance Agreement, the Management Services Agreement and the Cooperation Agreement.

“Wis. Stat. § \_\_\_\_” means the Wisconsin Statutes (2007-08), as amended.

**EXHIBIT B**  
**PROOF OF POLICY CLAIM FORM**

## PROOF OF POLICY CLAIM FORM

Date: [\_\_\_\_\_]

**Ambac Assurance Corporation,**  
*as Management Services Provider of  
the Segregated Account of Ambac Assurance Corporation*  
One State Street Plaza  
New York, NY 10004  
Attention: Claims Processing  
Email: claimsprocessing@ambac.com  
Facsimile: (212) 208-3404

Reference Policy Number: [\_\_\_\_\_]

Reference is made to (i) the Rules Governing the Submission, Processing and Partial Payment of Policy Claims of the Segregated Account of Ambac Assurance Corporation in accordance with June 4, 2012 Interim Cash Payment Order, issued by the Commissioner of Insurance of the State of Wisconsin as the court-appointed rehabilitator of the Segregated Account, governing the submission, evaluation and payment of Policy Claims submitted to the Segregated Account (the “Rules”), (ii) the attached claim schedule, which includes detailed information about the Policy Claim made pursuant to this Proof of Policy Claim Form<sup>1</sup> (the “Claim Schedule”) and (iii) the Policy issued by Ambac Assurance Corporation (“Ambac”), identified above and on the Claim Schedule (the “Policy”), with respect to the insured obligation identified on the Claim Schedule (the “Insured Obligation”). Terms capitalized herein and not otherwise defined shall have the meanings ascribed to such terms in or pursuant to the Rules or the Policy, as the case may be, unless the context otherwise requires.

The undersigned hereby certifies as follows:

1. The undersigned is a Holder under the Policy and is entitled, pursuant to the provisions of the Policy, to submit a claim for the “Total Claim Amount” set forth on the Claim Schedule with respect to the Insured Obligation (the “Total Claim Amount”).
2. The information set forth on the Claim Schedule is true, correct and complete.

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<sup>1</sup> Any Policy Claims previously submitted to the Segregated Account during the period between March 24, 2010 and the issuance of the Rules (the “Moratorium Period”) must be re-submitted on a Proof of Policy Claim Form (and Claim Schedule). All outstanding unpaid Policy Claims incurred in respect of the Moratorium Period and relating to the same Insured Obligation may be submitted on one aggregate Proof of Policy Claim Form (and Claim Schedule). All other Policy Claims relating to the same Insured Obligation and Policy must be submitted using this Proof of Policy Claim Form (and Claim Schedule), with a separate Proof of Policy Claim Form (and Claim Schedule) being used for each Claim Period (as defined in the Claim Schedule).

3. The "Total Claim Amount" set forth on the Claim Schedule with respect to the Insured Obligation (the "Total Claim Amount") is due for payment pursuant to the terms of the Policy and the contracts and instruments relating to or governing the Insured Obligation.
4. The undersigned has not previously made a claim or demand for payment under the Policy in respect of amounts due on the Insured Obligation on the "Distribution Date" indicated on the Claim Schedule, except as otherwise specified in an addendum to this Proof of Policy Claim Form submitted by the Holder herewith and[or] as specified in the claims or demands for payment submitted to Ambac in the form specified by the Policy, copies of which are attached hereto pursuant to paragraph 7.
5. *[Complete for the first Policy Claim made after the Effective Date in respect of the Policy or if the Holder wishes to alter the payment instructions previously provided to the Management Services Provider: The undersigned hereby requests that any portion of the Total Claim Amount to be paid by the Segregated Account in Cash be made to the following account by bank wire transfer of federal or other immediately available funds:*

Bank Name: [ \_\_\_\_\_ ]  
 ABA #: [ \_\_\_\_\_ ]  
 Acct #: [ \_\_\_\_\_ ]  
 Reference: [ \_\_\_\_\_ ]

*OR If the Holder has provided account details previously and these are not changing, please include the following:* The undersigned hereby requests that any portion of the Total Claim Amount to be paid by the Segregated Account in Cash be paid by bank wire transfer of federal or other immediately available funds to the account notified by the undersigned to the Segregated Account and the Management Services Provider pursuant to the Proof of Policy Claim Form dated as of [ ] and relating to the Policy.]

6. *[Complete the following if the Holder is a trustee and/or agent for the beneficial holder of the Insured Obligation:]* The undersigned hereby agrees that, following receipt of any Cash payment by the Segregated Account in respect of the Total Claim Amount, it shall (i) cause such funds to be distributed in accordance with the provisions of the underlying instrument or contract relating to the Insured Obligation, and (ii) maintain an accurate record of such payments with respect to the Insured Obligation and the corresponding claim on the Policy and proceeds thereof.
7. *[If the Policy requires the Holder to submit a claim or demand for payment in a specified form or to have satisfied certain conditions, include the following: ]*  
 [The undersigned has duly completed and submitted to Ambac a claim or demand for payment in the form specified by the Policy, a copy of which is attached hereto, and all other conditions to the receipt of the Total Claim Amount have

been satisfied, and the amount claimed therein is equal to the Total Claim Amount.]

Without prejudice to (i) the terms and provisions of the Policy and any other related underlying instrument(s) or contract(s) and (ii) any assignment previously executed, whether pursuant to a Proof of Policy Claim Form or otherwise, the undersigned [*include the following, if applicable:*] [, in its capacity as trustee and on behalf of the beneficial owners of the Insured Obligation], hereby assigns to Ambac all of its rights, title and interests [*include the following, if applicable:*] [, including rights, title and interests held by it on behalf of the beneficial owners of the Insured Obligation,] with respect to the Insured Obligation, to the extent of any payments by the Segregated Account with respect to such Insured Obligation; the foregoing assignment is in addition to, and not in limitation of, rights of subrogation and/or reimbursement otherwise available to Ambac or the Segregated Account in respect of such payments. The undersigned shall take such action and deliver such instruments as may be reasonably requested or required by Ambac or the Segregated Account to effectuate the purpose or provisions of the foregoing assignment.

Any oral or written communications to the Holder in respect of this Proof of Policy Claim Form and the Policy Claim made hereunder may be addressed to one of the following persons:

1. [*insert name*], [*address*], [*phone number*] and [*email*]
2. [*insert name*], [*address*], [*phone number*] and [*email*]<sup>2</sup>

**ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD THE SEGREGATED ACCOUNT, THE REHABILITATOR OR OTHER PERSON FILES A STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT ACT, WHICH MAY BE SUBJECT TO CIVIL AND/OR CRIMINAL PENALTY.**

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<sup>2</sup> *Contact details for at least 2 persons at the Holder must be provided. At least 1 contact person must be authorized to discuss operations and settlement matters. The person responsible for operations/settlements should be clearly identified.*

[ \_\_\_\_\_ ],  
as Holder

By: \_\_\_\_\_  
Name:  
Title:

	<b>CLAIM SCHEDULE</b>					
<b>Trustee (if applicable):</b>						
<b>Insured Obligation (name of bond/other):</b>						
<b>Policy #:</b>						
<b>Distribution Date:*</b>						
<b>Claim Period:**</b>						
<b>Total Claim Amount:</b>						
<b>CUSIP</b>	<b>Short Name</b>	<b>Principal Claim Amount</b>	<b>Interest Claim Amount</b>	<b>Total Claim Amount</b>		
<b>Total</b>						
*Distribution Date is the date on which principal and/or interest is due for payment with respect to the Insured Obligation. For any Proof of Policy Claim Form submitted in respect of all Policy Claims relating to the Moratorium please provide the range of dates on which principal and/or interest was due for payment.						
**Other than in respect of the Moratorium Period, Claim Period is the period in respect of which payments are due on the Distribution Date. For any Proof of Policy Claim Form submitted in respect of all Policy Claims relating to the Moratorium Period, Claim Period may be the Moratorium Period. Other than in respect of Policy Claims relating to the Moratorium Period (which may be submitted in aggregate on one Proof of Policy Claim Form), please use a different Proof of Policy Claim Form and Claim Schedule for each Distribution Date.						